



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
HART COUNTY CLERK**

Calendar Year 2000

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EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
HART COUNTY CLERK

Calendar Year 2000

The Auditor of Public Accounts has completed the Hart County Clerk audit for calendar year ended December 31, 2000. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Hart County Clerk paid the Hart County Fiscal Court \$61,291 in excess fees for calendar year 2000.

Debt Obligations:

None.

Report Comment:

The County Clerk Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

Deposits:

The county clerk's deposits had \$102,993 uninsured and uncollateralized by bank securities or bonds as of April 10, 2000.

Subsequent Event:

None.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Terry Shelton, Hart County Judge/Executive
Honorable Doris Crain, Hart County Clerk
Members of the Hart County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Hart County, Kentucky, for the year ended December 31, 2000. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 2000, in conformity with the basis of accounting described above.

In accordance with Government Auditing Standards, we have also issued our report dated June 6, 2001, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should read in conjunction with this report in considering the results of our audit.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Terry Shelton, Hart County Judge/Executive
Honorable Doris Crain, Hart County Clerk
Members of the Hart County Fiscal Court

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following area of noncompliance:

- The County Clerk Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett".

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
June 6, 2001

HART COUNTY
DORIS CRAIN, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 2000

Receipts

State Grants		\$	4,977
State Fees For Services			8,238
Fiscal Court			18,957
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	344,322	
Usage Tax		733,614	
Tangible Personal Property Tax		802,785	
Lien Release Fees		3,926	
Licenses-			
Fish and Game		10,751	
Marriage		6,210	
Deed Transfer Tax		26,854	
Delinquent Tax		109,346	2,037,808
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts	\$	16,762	
Real Estate Mortgages		18,061	
Chattel Mortgages and Financing Statements		56,360	
All Other Recordings		15,006	
Charges for Other Services-			
Copywork		3,869	110,058
Other:			
Miscellaneous			784
Interest Earned			2,528
Gross Receipts		\$	2,183,350

HART COUNTY
DORIS CRAIN, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
Calendar Year 2000
(Continued)

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 260,506

Usage Tax 710,633

Tangible Personal Property Tax 296,697

Licenses-

Fish and Game 10,236

Delinquent Tax 15,108

Legal Process Tax 17,298

Candidate Filing Fees 30 \$ 1,310,508

Payments to Fiscal Court:

Tangible Personal Property Tax \$ 67,289

Delinquent Tax 11,212

Deed Transfer Tax 25,511 104,012

Payments to Other Districts:

Tangible Personal Property Tax \$ 406,690

Delinquent Tax 53,027 459,717

Payments to Sheriff

2,160

Payments to County Attorney

17,936

Operating Disbursements:

Personnel Services-

Deputies Salaries \$ 96,922

Part-Time Salaries 3,790

HART COUNTY
DORIS CRAIN, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
Calendar Year 2000
(Continued)

Disbursements (Continued)

Operating Disbursements: (Continued)

Employee Benefits-			
Employer's Share Social Security	\$	11,289	
Employer's Paid Health Insurance		13,490	
Contracted Services-			
Advertising		115	
Printing and Binding		3,193	
Materials and Supplies-			
Office Supplies		11,050	
Computer Maintenance		10,929	
Library and Archives Grant Project		4,977	
Other Charges-			
Conventions and Travel		1,478	
Dues		450	
Postage		3,546	
Uncollected Returned Checks		186	
Refunds		949	
Miscellaneous		1,063	
		<u>1,063</u>	\$ 163,427
Total Disbursements			<u>\$ 2,057,760</u>
Net Receipts			\$ 125,590
Less: Statutory Maximum			<u>59,306</u>
Excess Fees			\$ 66,284
Less: Expense Allowance	\$	3,600	
Training Incentive		<u>1,393</u>	<u>4,993</u>
Excess Fees Due County for Calendar Year 2000			\$ 61,291
Payments to County Treasurer - February 13, 2001			<u>61,291</u>
Balance Due at Completion of Audit			<u><u>\$ 0</u></u>

The accompanying notes are an integral part of the financial statement.

HART COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2000

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2000.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent.

HART COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 2000
 (Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The County Clerk entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of April 10, 2000 the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$102,993 of public funds uninsured and unsecured.

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county official at year-end or as of April 10, 2000.

	<u>Bank Balance</u>
Insured or collateralized with securities held by the county official's agent in the county official's name	\$ 149,593
Uncollateralized and uninsured	<u>102,993</u>
Total	<u><u>\$ 252,586</u></u>

Note 4. Grant

The County Clerk was awarded a grant in calendar year 1999 from the Kentucky Department for Libraries and Archives in the amount of \$7,682. The unexpended balance as of December 31, 1999 was \$1,411. The clerk received the final payment from the grant totaling \$4,002 in calendar year 2000. Interest earned on this account was \$23 and \$4,977 was expended during calendar year 2000. The balance of unexpended funds as of December 31, 2000 totaled \$459.

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COMMENT AND RECOMMENDATION

HART COUNTY
DORIS CRAIN, COUNTY CLERK
COMMENT AND RECOMMENDATION

Calendar Year 2000

STATE LAWS AND REGULATIONS:

The County Clerk Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

On April 10, 2000, \$102,993 of the County Clerk's deposits of public funds in depository institutions were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the County Clerk require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

County Clerk's Response:

Feel I must take responsibility, but this is a bank error. The Bank was advised of large deposit amounts in the months of March and April.

PRIOR YEAR:

No comments in prior year audit report.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



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Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Hart County Clerk for the year ended December 31, 2000, and have issued our report thereon dated June 6, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Hart County Clerk's financial statement for the year ended December 31, 2000, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards which is described in the accompanying comment and recommendation.

- The County Clerk Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Hart County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
June 6, 2001

